



EMERGING MARKETS TO DEFINE MARKETING

DR. JAGDISH SHETH (CHARLES H. KELLSTADT PROFESSOR OF MARKETING, GOIZUETA BUSINESS SCHOOL, EMORY UNIVERSITY) DISCUSSES THE NOVEL AND NEW THEORETICAL BASE THAT IS EMERGING IN MARKETING, WITH ADITI SHARMA

Never would have one expected an “accidental career journey” to have been as successful as Dr. Jagdish Sheth’s. Presently the Charles H. Kellstadt Professor of Marketing at Emory University, Dr. Sheth (or ‘Jag’) has more than 200 books and research papers to his credit, and is renowned for providing timely advice to companies around the world for improving their competitive marketing position.

Born in Burma in 1938, his family migrated to India in 1941. As a result, most of his schooling was in Madras (now Chennai), where he met his wife-to-be, Madhu. History, accounting, and statistics were his subjects during undergraduation, and he shares about his choices thereon, “My passion has been history, while I loved accounting because of our family business. My brother had taught me accounting so I knew the double-entry system before I went to college!” This gold medallist opted for a CA programme, but before that could happen, he was chosen for University of Madras’s special Honours programme for meritorious students. There he completed B. Com (Hons.), specialising in Income Tax. Further, when he found out that one had

to undergo articleship to complete a CA course in India, which meant that he had to work without money, his Gujarati instincts kicked in! “We do not work for others! As a result, my brother’s customer in Bombay planted the idea that I go to the US for my MBA. Having been refugees, we came from a middle-class background. I managed to get a full scholarship from University of Pittsburgh so had to borrow money only for my travel and living expenses. While I was to study Production there, I suddenly got interested in psychology, which led me towards marketing, through the study of customers’ psychology.” That is how Dr. Sheth forayed into marketing, and went in for his doctorate from the same University. This led to his settling down in the US instead of returning to the family business. Before leaving, he got engaged to Madhu, with the intention of inviting her to the US for the marriage, after earning some extra income, revealing, “I was earning USD 287 a month then.”

The opportunity to grow came through his mentor, Prof. John Howard, who had allowed Dr. Sheth to work with him during his MBA. Their work led to the *Howard-Sheth Theory of Buyer Behaviour*, about



how consumers are loyal to a brand after becoming habituated to it, as a result of early socialisation with family, schools, and peer groups. This powerful theory went on to form part of the foundation of modern marketing.

When in 1963 Prof. Howard was leaving for Columbia University, he invited Dr. Sheth to join him there. That was about the time when KT Chandy and Ravi Mathai were in the process of setting up IIM – Calcutta, in collaboration with Alfred P. Sloan School of Management (MIT). While they wanted Dr. Sheth to join as member of faculty right after his doctorate, he could not do so as the opportunity to test the *Buyer Behaviour Theory* came up at Columbia. However, he did go to IIM Kolkata as a visiting faculty for 6 months in 1968.

Going forward, this expert is convinced that the field of marketing will be driven more and more by emerging markets. “Most of our current marketing knowledge is organised around advanced countries and branded products. A shift is taking place from the advanced economies to emerging economies,” explains he. He goes on to reveal that about 65 per cent of all consumption in emerging markets is in the unbranded segment since a lot of consumers among the poor population have been making products

for themselves – such as *chapattis*, pickle, and even their own homes. “For the first time now, emerging economies like India, China, Brazil, Africa, and Latin America are essentially outsourcing for families who are willing to buy products and services in the marketplace,” he points out. When we question him on the reason behind this trend, he lets out the story of what he calls the “call-centre couple,” explaining, “The call-centre couple comprises a double income family where both husband and wife have college degrees and are working in order to survive. They do not live with their parents and have relatively independent lives. They are the first-time buyers of many products – from

Jag's Favourites

BOOKS: Peter Drucker's *The Practice of Management*, and scholarly books. Also, books by Wroe Alderson and Robert Bartels.
Movie: Gandhi (with Richard Attenborough).

HOLIDAY: Machu Picchu (Peru), The Nile, and Great Wall of China.

CUISINE: Typical Gujarati food like *dhokla*.

GADGETS: It used to be the compass in my geometry box in algebra class. Today it is Blackberry.

cellphones and motorcycles, to cars and television sets – thus affordability is an important criteria for them. There is a huge market demand for affordable products like the Nano car.”

At any rate, the distribution system is still a key problem in rural India and other emerging economies, says he, and that there is a lack of roads and warehouses. The next opportunity thus lies in packaging products in a way for them to be stored for a long time. The next issue he states is that of creating exciting brand names, especially in perspective of “a national brand versus a foreign brand.” In India, for example, the “unorganised marketing is becoming organised marketing,” says Dr. Sheth, and shares with us an example, “In many product categories, say luggage, about 60 per cent of the total luggage sold in India is not branded. A lot of luggage bags are made from metal boxes (*trunks*) and plastics. Brands like VIP, Safari, Aristocrat, Samsonite, etc. only contribute to about 40 to 45 per cent of the total consumption. For buying *mithai* you go to the neighbourhood *mithai* fellow. *Paan*, too, is unbranded; there is no supermarket branded *paan* yet. Pickle is getting branded but there is still a major portion of unbranded pickle sold. Such positive changes are the future of marketing. Emerging markets will drive the marketing of tomorrow.”

Another key emergence is that of reverse innovation, that is, creating the product in the country in which it is to be sold, as opposed to localising the same product for a foreign market. He explains this, “Companies like GE, for example, innovated in India. In rural markets, where there is no electricity, there is a market for battery-operated products. Tata has done a great job not only with the Nano car but filtered water as well. Affordability is a key criterion for reverse innovation to take place. Thus, people are innovating products in emerging countries and then taking them global.” The revenue that companies will earn through this process of working backwards then depends on each individual product category; whether its sales are based on volumes or high profits. Dr.



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Sheth takes the example of the shampoo sachets which have worked so well in rural India, being a high-margin product. In other cases, a company can sell in volumes and in turn, make more money overall, he clarifies. Such shifts in trends are encouraging marketers to become more inclusive, as India moves from an agricultural society to an industrial society, Dr. Sheth adds. “Even today, 50 per cent of the world’s population has not experienced modern inventions and innovations such as cellphones, electricity, and running water,” he says.

Another major driver of marketing today is technology, in Dr. Sheth’s opinion, and he explains, “All of a sudden, we have a cellphone revolution in emerging markets because personal computers have always been so expensive. A lot of innovation is taking place using the mobile platform, such as, mobile marketing. Banks send out cheque notifications, airlines give you flight alerts. My bank in India sends me a notification about every cheque that is withdrawn or deposited; this does not even happen in the US. In India, we currently have about 500 million cellphone users and we are adding almost 15 million users every month. Despite that, China is the largest market, with about 750 million users. In contrast, the US which commercialised the use of cellphones has only about 250 million users.”

As technology is changing, so is the proliferation of social media. Dr. Sheth points out that the largest number of internet users are in China, but now that India is allowing broadband licenses and

3G wireless technology to come in, we will see a lot more of social media taking over marketing. In fact, social media is one of the oldest forms of marketing, he reveals. “The biggest form of marketing used to be word-of-mouth communication, where one family who used the product would influence the decision of others like them. We are returning to this in a very big way through social media and digital technology,” Dr. Sheth opines. He takes the example of books, where reviews were earlier done by critics much after a book was actually published. Nowadays, a company like Amazon.


com enables customers to review and post their comments on a book almost immediately after it is released. Dr. Sheth also mentions the phenomenon of Google, which he confirms is the largest archive of information today; and he also cites the iPhone and its applications which make marketing easier and more affordable than before. In India, even smart phones are available for Rs. 3000

to 4000 today, and they are designed to run applications for many companies, says Dr. Sheth. “Consumers these days want to know more about each product to be sure that they are making the right decision. Because of that, wireless and internet technology is going to change the paradigm enormously in marketing. Through the internet, I can communicate,

provide information, have a dialogue, make a transaction; everything in one place! And if marketing dollars are spent on the internet platform, a company is able to calculate the exact response and return on investment, which is not the case with television or print media,” highlights Dr. Sheth.

Behind every successful career lie mentors who have guided one along the way, and Dr. Sheth is no exception. He foremost points out Prof. John Howard who looked over his work and is someone he has been very close to. He also takes the name of Dr. Robert Ferber, his senior colleague at the Uni-

versity of Illinois, a very well-respected scholar and the editor of two leading journals, *Journal of Marketing Research* and *Journal of Consumer Research*. “When I asked him how he managed his time with so much on his plate, he let out his secret, saying that he never postponed anything just waiting for the deadline; whatever would come in first, he would get it out. Another

thing he taught me was how to compartmentalise time – research time, teaching time, travel time, community time,” he shares. Dr. Sheth also believes in reading biographies of historical figures, like philosophers and those who were trusted advisors to kings; while on the management front he has been a follower of Peter Drucker all through his career. 

ALL OF A SUDDEN, WE HAVE A CELLPHONE REVOLUTION IN EMERGING MARKETS BECAUSE PERSONAL COMPUTERS HAVE ALWAYS BEEN SO EXPENSIVE